Testimony
Betsy Gara
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Before the Banking Committee
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The Connecticut Council of Small Towns (COST) ***opposes*** **SB-180, AN ACT CONCERNING THE INTEREST RATE ON CERTAIN MUNICIPAL TAX LIENS.**

Although we recognize that many individuals in our communities are facing financial difficulties due to COVID-19, COST is concerned that the bill will undermine the ability of towns to collect delinquent tax, water and sewer bills.

As drafted, the bill limits the delinquent interest rate on liens that are assigned to 12%. This will result in the loss of much needed revenues that towns rely on to fund critical services and maintain reliable water and sewerage systems. It would also shift a greater burden to other taxpayers.

The existing interest rate and the ability to lien properties are effective tools in facilitating the collection of overdue bills. Some towns assign liens rather than pursue foreclosure or wait until the property is sold.

Recognizing that high interest rates on delinquent payments provide individuals with a strong incentive to pay tax bills on time, the state imposes a penalty of 15% of the tax due plus 1% per month interest on delinquent sales taxes and a penalty of 10% of the tax due plus 1% per month interest on delinquent income taxes.

The interest rate on delinquent tax bills also serves to compensate municipalities for the costs that are incurred in collecting back taxes and the loss that occurs when revenue is not paid in a timely manner.

Last session, the legislature adopted Public Act 21-143, which imposes new restrictions on entities that acquire the right to enforce real property liens securing specified delinquent tax, sewer, and water charges (i.e., lien assignees). This provides protection for delinquent taxpayers without undermining much-needed revenue collection.

COST urges lawmakers to oppose SB-180.

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